

# Empire State Manufacturing Survey

The December 2012 *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers continued to decline at a modest pace. The general business conditions index was negative for a fifth consecutive month, falling three points to -8.1. The new orders index dropped to -3.7, while the shipments index declined six points to 8.8. At 16.1, the prices paid index indicated that input prices continued to rise at a moderate pace, while the prices received index fell five points to 1.1, suggesting that selling prices were flat. Employment indexes pointed to weaker labor market conditions, with the indexes for both number of employees and the average workweek registering values below zero for a second

consecutive month. Indexes for the six-month outlook were generally higher than last month, although the level of optimism remained at a level well below that seen earlier this year.

In a series of supplementary questions, firms were asked about past and expected price changes overall and in a number of categories. In general, respondents predicted that prices paid for most budget categories would increase by about the same rate in calendar 2013 as in 2012. The steepest price increases—both actual and expected—were reported for employee benefits, up 6.4 percent, on average, in 2012 and expected to be up 7.2 percent in 2013. Respondents were also asked how

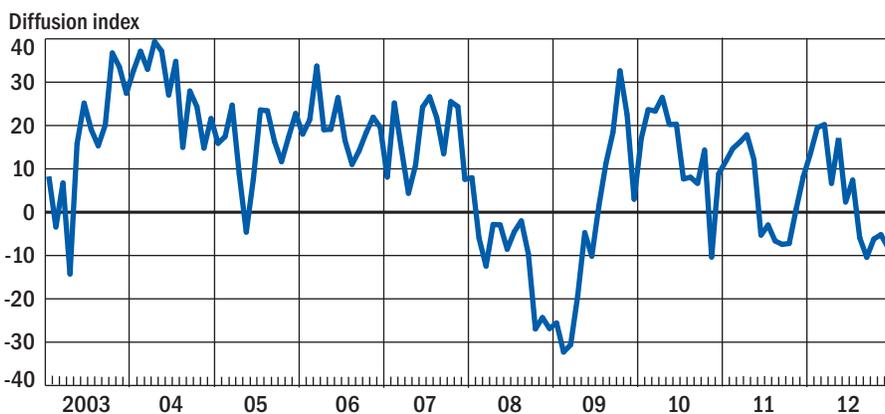
they expected their selling prices to change over the next year. The average expected increase in the current survey was 1.0 percent—down from 1.8 percent in last year's survey and 3.2 percent in the December 2010 survey. Manufacturers were also asked about superstorm Sandy's recent and expected effects on revenues: Downstate establishments estimated that revenues in October and November were 7 percent and 5 percent lower, respectively, than they otherwise would have been.

## Business Conditions Decline for a Fifth Consecutive Month

Continuing a five-month streak of negative readings, the general business conditions index fell three points to -8.1—a sign that business activity declined at a modest pace for New York manufacturers in December. Fifteen percent of respondents reported that conditions had improved over the month, while 23 percent reported that conditions had worsened. After rising above zero last month, the new orders index fell seven points to -3.7, pointing to a small decline in the demand for manufactured goods. The shipments index gave back some of its gains from last month, declining six points to 8.8—

## General Business Conditions

Seasonally adjusted



Continued

*Continued from page 1*

evidence that shipments rose at a slower pace than in November. The unfilled orders index climbed five points to -6.5. The delivery time index was little changed at -2.2. The inventories index was also similar to last month's reading and, at -11.8, indicated that inventory levels were somewhat lower.

#### **Labor Market Conditions Remain Weak**

The prices paid index inched up two points to 16.1, suggesting that input price increases remained moderate in December. The prices received index fell five points to 1.1, indicating that selling prices were generally flat over the month. Employment indexes, negative for a

second consecutive month, pointed to weaker labor market conditions. The index for number of employees rose five points to -9.7, while the average workweek index declined three points to -10.8.

#### **Outlook Improves Somewhat**

Indexes for the six-month outlook remained somewhat restrained compared with their levels earlier this year, though most future indexes were higher than in November. The future general business conditions index rose six points to 18.7. The future new orders index increased more significantly, climbing eleven points to 32.3, and the future shipments index rose four points to

34.4. The future prices paid index advanced a sharp twelve points to 51.6, suggesting that the pace of increase in input prices is expected to pick up in the months ahead. The future prices received index also climbed, rising ten points to 25.8—an indication that selling price increases were expected to accelerate. Future employment indexes were positive and higher than last month, suggesting that employment levels and the average workweek were expected to rise. The capital expenditures index climbed four points to 12.9, and the technology spending index inched down to 4.3. ■

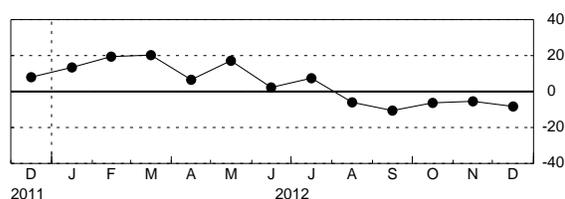
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	19.11	56.56	24.33	-5.22
Dec	15.07	61.76	23.17	-8.10

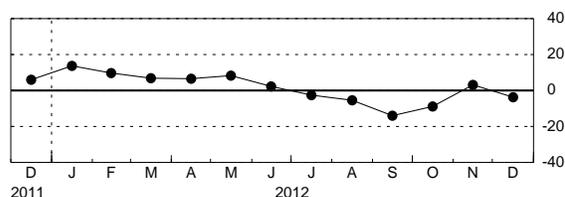
## General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	29.14	44.81	26.05	3.08
Dec	19.09	58.12	22.79	-3.70

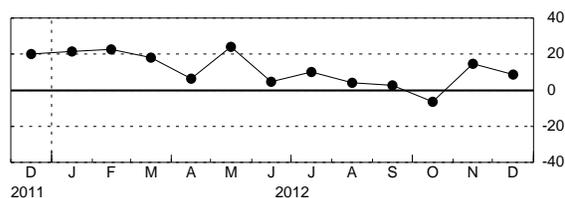
## New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	30.96	52.67	16.37	14.59
Dec	26.09	56.65	17.26	8.83

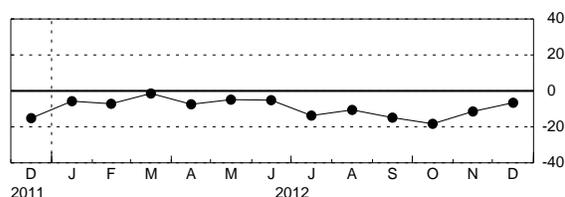
## Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	10.11	68.54	21.35	-11.24
Dec	12.90	67.74	19.35	-6.45

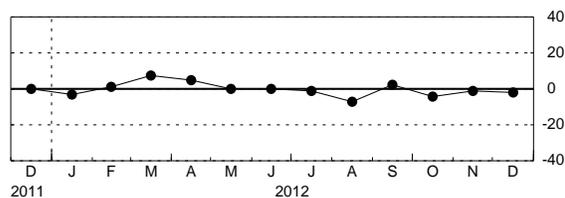
## Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	12.36	74.16	13.48	-1.12
Dec	7.53	82.80	9.68	-2.15

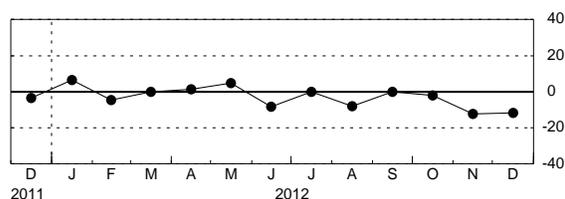
## Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	16.85	53.93	29.21	-12.36
Dec	18.28	51.61	30.11	-11.83

## Inventories - Diffusion Index



## Current Indicators, *continued*

### Change from Preceding Month

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	17.98	78.65	3.37	14.61
Dec	20.43	75.27	4.30	16.13

#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	14.61	76.40	8.99	5.62
Dec	11.83	77.42	10.75	1.08

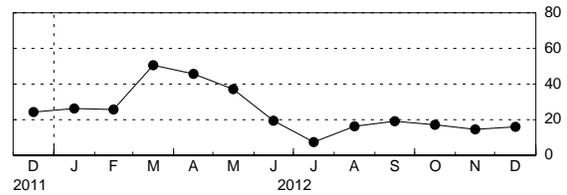
#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	11.24	62.92	25.84	-14.61
Dec	8.60	73.12	18.28	-9.68

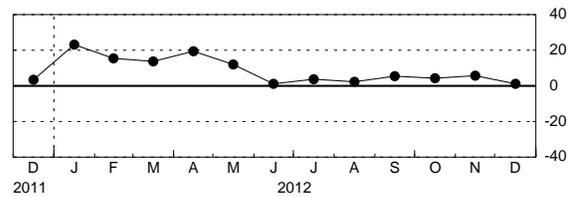
#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	11.24	69.66	19.10	-7.87
Dec	6.45	76.34	17.20	-10.75

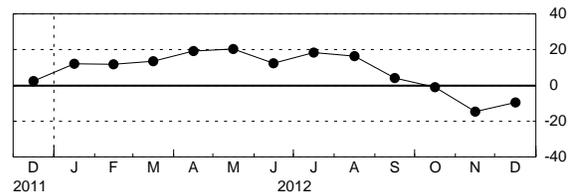
Prices Paid - Diffusion Index



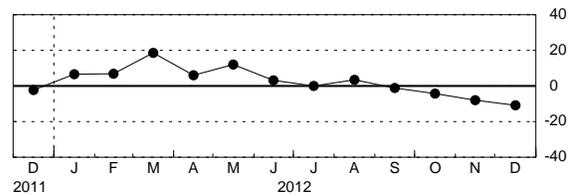
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

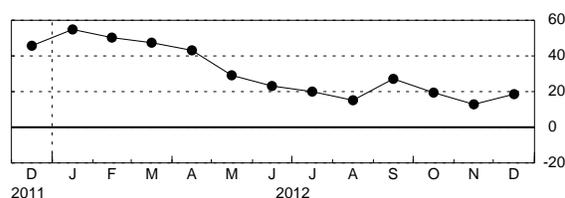
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	38.55	35.77	25.68	12.88
Dec	40.21	38.23	21.55	18.66

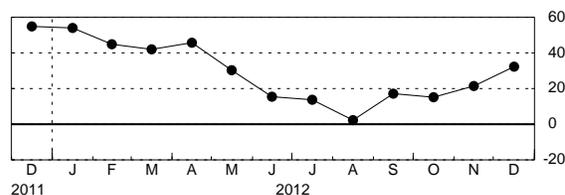
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	43.82	33.71	22.47	21.35
Dec	51.61	29.03	19.35	32.26

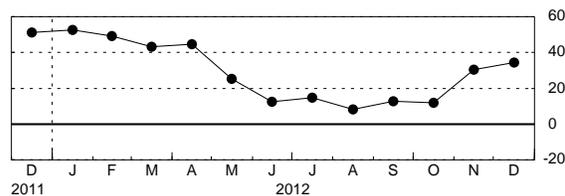
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	47.19	35.96	16.85	30.34
Dec	50.54	33.33	16.13	34.41

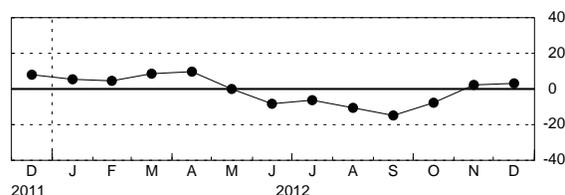
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	16.85	68.54	14.61	2.25
Dec	16.13	70.97	12.90	3.23

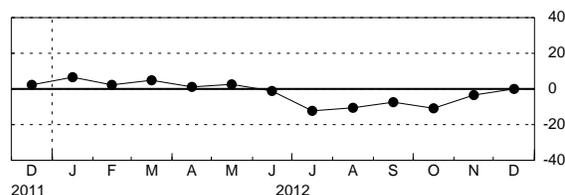
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	8.99	78.65	12.36	-3.37
Dec	11.83	76.34	11.83	0.00

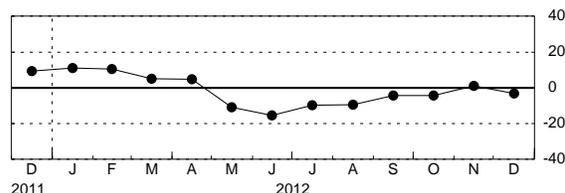
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	24.72	51.69	23.60	1.12
Dec	20.43	55.91	23.66	-3.23

Inventories - Diffusion Index



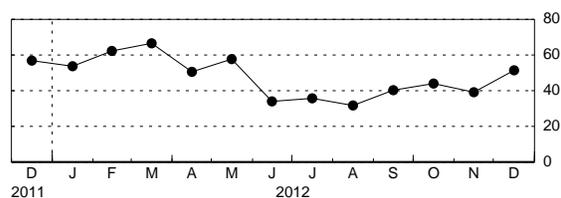
## Forward-Looking Indicators, *continued*

### Expectations Six Months Ahead

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	43.82	51.69	4.49	39.33
Dec	52.69	46.24	1.08	51.61

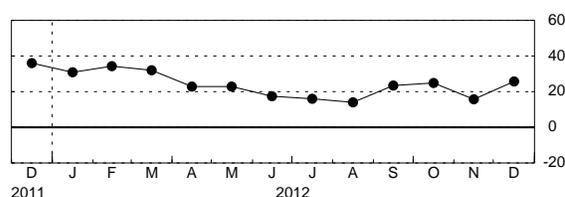
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	32.58	50.56	16.85	15.73
Dec	35.48	54.84	9.68	25.81

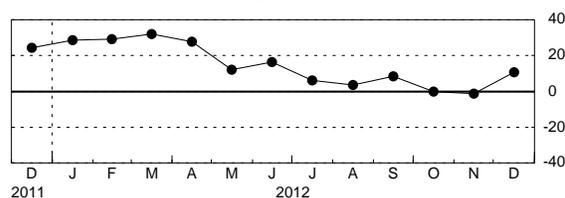
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	21.35	56.18	22.47	-1.12
Dec	25.81	59.14	15.05	10.75

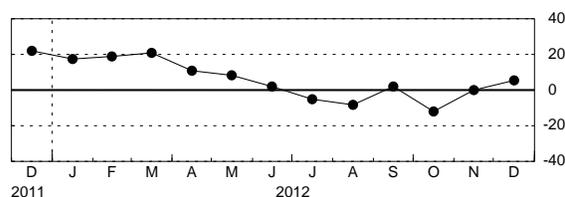
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	17.98	64.04	17.98	0.00
Dec	17.20	70.97	11.83	5.38

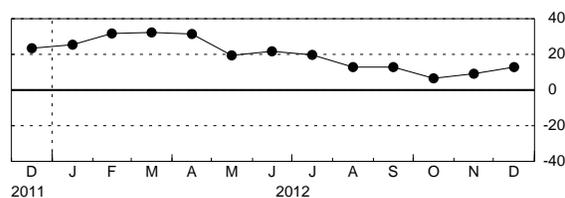
Average Employee Workweek - Diffusion Index



#### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	28.09	52.81	19.10	8.99
Dec	30.11	52.69	17.20	12.90

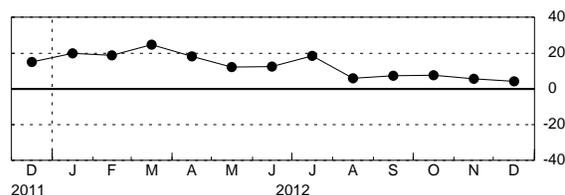
Capital Expenditures - Diffusion Index



#### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	20.22	65.17	14.61	5.62
Dec	19.35	65.59	15.05	4.30

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Manufacturers Foresee Steady Price Pressures, Modest Impact from Sandy

Supplementary questions to the December 2012 *Empire State Manufacturing Survey* focused on recent and expected changes in the prices paid by firms for several major budget categories, including wages, employee benefits, insurance, energy, and other commodities. The same set of questions was asked in December 2011 and in earlier years.

In the current survey, firms predicted that prices paid for most budget categories would increase by about the same rate in calendar 2013 as in 2012. Prices paid overall were reported to have risen 3.7 percent on average in 2012, and this rate was expected to edge up to 4.0 percent in 2013. Among the broad budget categories, employee benefits showed the steepest price increase, both actual and expected: respondents reported that these costs climbed 6.4 percent, on average, in 2012 and were expected to accelerate to 7.2 percent in 2013. Wages were expected to climb 3.1 percent on average in 2013, with anticipated price rises of 2.8 percent for non-energy commodities and 3.9 percent for insurance (excluding

health benefits). Outside services and energy costs were expected to rise by less than 3 percent next year—as was the case in 2012.

Respondents were also asked to gauge the likelihood that the prices they paid overall would increase or decrease within certain specified ranges. The overall distribution of responses closely resembles those in the 2011 and 2010 surveys: the perceived probability that prices would rise by more than 2 percent averaged out to 59 percent, while respondents reported a 9 percent chance that prices would rise by at least 8 percent. At the other end of the spectrum, the average perceived probability that prices would decline by at least 2 percent overall was just 6 percent—up slightly from 4 percent in last year’s survey.

In a final question about prices, respondents were asked how they expected their *selling* prices to change over the next year. The average expected increase in the current survey was 1.0 percent—down from 1.8 percent in last year’s survey and 3.2 percent in the December 2010 survey.

In addition to the price questions, a three-part follow-up question was asked on the net effects of superstorm Sandy on firms’ revenues in October and November and the storm’s expected effects on December revenues. Establishments in downstate New York (the New York City metro area) reported that revenues were roughly 7 percent lower than they otherwise would have been in October and were diminished by about 5 percent in November. However, revenues were expected to be unaffected, on net, in December. Respondents in upstate New York saw virtually no net effect, on average, in any of the three months. However, a few upstate respondents reported sizable effects on revenues—both increases and decreases—of 10 percent or more. Increases, for example, accrued to manufacturers of water-removal equipment and those taking on extra production from affected facilities in the New York City area; decreases mainly stemmed from the storm’s adverse effects on customers and supply chains. ■

## Supplemental Report, *continued*

### QUESTION 1

For each budget category, please indicate the approximate percentage change in the price you paid in 2012 and the expected percentage change in the price in 2013:

	December 2012 Survey		December 2011 Survey
	Average Percentage Change Reported for 2012	Average Percentage Change Expected for 2013	Average Percentage Change Expected for 2012
Wages	2.7	3.1	2.8
Employee benefits	6.4	7.2	6.1
Insurance (liability, fire, etc.)	4.0	3.9	3.3
Outside services	2.4	2.5	2.4
Energy	1.4	2.3	2.9
Other commodities	3.4	2.8	3.9
Overall	3.7	4.0	3.5

### QUESTION 2

What would you say is the percentage chance that, over the next six months, your prices paid will . . .

	Average Percentage Chance of Specified Price Change in Given Survey Month*	
	December 2012	December 2011
Increase 8 percent or more	9.0	11.8
Increase 2 to 8 percent	49.7	52.3
Stay within 2 percent of current levels	35.2	31.5
Decrease 2 to 8 percent	5.5	3.9
Decrease 8 percent or more	0.6	0.5

\* Survey respondents were asked to assign a specific percentage chance to each possible outcome; the values reported in this table reflect the average indicated percentage chance across all respondents.

### QUESTION 3

By how much do you expect your selling prices to change, on average, over the next year?

	December 2012	December 2011
Average percentage change	1.0	1.8
Median percentage change	2.0	2.0